AGENDA

ISLAND CITY DEVELOPMENT
Special Meeting
April 16, 2020 at 2:00 PM
Via Conference Call

Pursuant to the Island City Development Bylaws Section 5.13, any Board meeting may be held by telephone conference. Additionally, Executive Order Numbers N-29-20 and N-35-20 signed by Governor Gavin Newsom and guidance provided by legal counsel, a local legislative body, such as the Board of Commissioners, or state body is authorized to hold public meetings via teleconferencing and to make public meetings accessible telephonically or otherwise electronically to all members of the public seeking to observe and to address the local legislative body. All requirements in both the Bagley-Keene Act and the Brown Act expressly or impliedly requiring the physical presence of members, the clerk or other personnel of the body, or the public as a condition of participation in or a quorum for a public meeting have been waived.

Public access to this meeting is available as follows:

Call In: 888-204-5987
Pin Code: 887 6253

There is no cost to participate in the call except your usual phone charges. For the public, if you choose to call in, please place your phone on mute to listen in.

Persons wishing to address the Board of Directors are asked to submit comments for the public speaking portion of the agenda as follows:

Send an email with your comment(s) to kmertz@alamedashsg.org and vcooper@alamedahsg.org prior to or during the Board of Directors meeting.

1. CALL TO ORDER & ROLL CALL
2. PUBLIC COMMENT (Non-Agenda)
3. CONSENT CALENDAR **(Action)**
   a. Approve Minutes of the Special Meeting of the Board of Directors held March 23, 2020, **Page 1**
   b. Receive and File the December 31, 2019 Audited Financial Statements for the Following Limited Partnerships: Stargell Commons LP, Sherman and Buena Vista LP and Everett and Eagle L.P., **Page 3**
4. NEW BUSINESS

a. Adopt a Resolution Authorizing Submission of Funding Applications for the North Housing Project **Page 69 (Action)**

5. NON-AGENDA (Public Comment)
6. WRITTEN COMMUNICATIONS
7. ORAL COMMUNICATIONS – BOARD MEMBERS AND STAFF
8. ADJOURNMENT

NOTES:

- If you need special assistance to participate in the meetings of the Island City Development Board of Directors, please contact Stacey Wilson at (510) 747-4307 (TTY/TRS: 711) or swilson@alamedahsg.org. Notification 48 hours prior to the meeting will enable the Island City Development Board of Directors to make reasonable arrangements to ensure accessibility.
- Documents related to this agenda are available for public inspection and copying at the Office of the Housing Authority, 701 Atlantic Avenue, during normal business hours.
- Know Your RIGHTS Under The Ralph M. Brown Act: Government's duty is to serve the public, reaching its decisions in full view of the public. The Board of Directors exists to conduct the business of its constituents. Deliberations are conducted before the people and are open for the people's review. In order to assist Island City Development's efforts to accommodate persons with severe allergies, environmental illnesses, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help Island City Development accommodate these individuals.

IF YOU WISH TO ADDRESS THE BOARD:

- Anyone wishing to address the Board on agenda items or business introduced by Board members may speak for a maximum of three (3) minutes per agenda item when the subject is before the Board. Please file a speaker's slip with the Board President. Upon recognition by the President, approach the rostrum and state your name.

- Lengthy testimony should be submitted in writing and only a summary of pertinent points presented verbally.

- Applause and demonstrations are prohibited during Board meetings.

MINUTES
Draft until approved
ISLAND CITY DEVELOPMENT
Special Meeting
March 23, 2020 at 1:00 PM
Conference Call

1. CALL TO ORDER & ROLL CALL

President Cooper called the meeting to order at 1:14 p.m. The following Board Members were present on the conference call: Director Vanessa Cooper, Director Brad Weinberg, and Director Janet Basta. Staff in Attendance: Kathleen Mertz and Louie So.

2. PUBLIC COMMENT (Non-Agenda) (None)

3. CONSENT CALENDAR (Action)

    a. Approve Minutes of the Special Meeting of the Board of Directors held February 19, 2020

Director Weinberg moved to approve the minutes of the special meeting of the Board of Directors held February 19, 2020. Director Basta seconded. Roll call was held. The motion carried unanimously.

4. NEW BUSINESS

    a. Accept the Rosefield Project Update Report and Approve A $500,000 Predevelopment Loan Amendment from the Housing Authority of the City of Alameda and Authorize the President or designee to Negotiate and Execute the Loan Documents

Director Basta moved to accept the Rosefield project update report and approve a $500,000 predevelopment loan amendment from the Housing Authority of the City of Alameda and authorize the President or designee to negotiate and execute the loan documents. Director Weinberg seconded. Roll call was held. Weinberg Yes. Basta Yes. Cooper Yes. The motion carried unanimously.

    b. Approve a Contract Amendment with the Dahlin Group, Inc. for Additional Architectural Services at Rosefield Village

Director Weinberg moved to approve a contract amendment with the Dahlin Group, Inc. for additional architectural services at Rosefield Village. Director Basta seconded. Roll call was held. Weinberg Yes. Basta Yes. Cooper Yes. The motion carried unanimously.

    c. Accept the North Housing project Update Report; Adopt Resolution Authorizing Funding Applications; Approve Carmel Partners Demolition Bid; Accept a $130,000 Loan Amendment from AHA; and Authorize the President or designee to Negotiate and Execute the Loan Documents

Discussion about holding off on the Funding Applications Resolution so that it aligns with the approval from the Board of Commissioners. Staff was directed to work with legal counsel to amend the Resolution and bring it back for Board review.

Director Weinberg moved to accept the North Housing project update report and approve Carmel Partners demolition bid and accept a $130,000 loan amendment from AHA and authorize the President or designee to negotiate and execute the loan documents. Director Basta seconded. Roll call was held. Weinberg Yes. Basta Yes. Cooper Yes. The motion carried unanimously.

d. Adopt a Resolution Authorizing Accounts and Investment at the California Asset Management Program (CAMP)

Director Weinberg moved to adopt a resolution authorizing accounts and investment at the California Asset Management Program. Director Basta seconded. Roll call was held. Weinberg Yes. Basta Yes. Cooper Yes. The motion carried unanimously.

5. NON-AGENDA (Public Comment) (none)

6. WRITTEN COMMUNICATIONS (none)

7. ORAL COMMUNICATIONS – BOARD MEMBERS AND STAFF

Staff reported that the annual audits for the limited partnerships was almost complete and would be presented to the board in April. Director Weinberg asked if the tax returns are impacted by the Shelter in Place order. Louie So reported no because we are still waiting on the Form 8609 so an amendment will be required at that time.

8. ADJOURNMENT

The meeting was adjourned at 1:33 p.m.

Respectfully submitted,

Draft until approved
Janet Basta
Secretary

To: Board of Directors
Island City Development

From: Candace Latigue
Asset Manager

Date: April 16, 2020

Re: Receive and File the December 31, 2019 Audited Financial Statements for the Following Limited Partnerships: Stargell Commons LP, Sherman and Buena Vista LP and Everett and Eagle L.P.

BACKGROUND

Island City Development is the general partner for three separate limited partnerships. Each limited partnership is required to prepare an audited financial statement each fiscal year. This statement then is used to prepare the annual tax return. Both the audited financial statement and tax return are reviewed by the Finance Director and Asset Manager and approved by the limited partner for each limited partnership. The audited financials will be consolidated into the Island City Development 2019 audit, which comes to the Board for review and approval with the IRS Form 990.

RECOMMENDATION

Receive and File the December 31, 2019 audited financial statements for the Limited Partnerships listed below.

- Stargell Commons, L.P.; unqualified
- Sherman and Buena Vista L.P.; unqualified
- Everett and Eagle L.P.; unqualified

Respectfully submitted,

Candace Latigue
Asset Manager

Attachments:
1. Stargell Commons LP Audited Financial Statement
2. Sherman and Buena Vista LP Audited Financial Statement
3. Everett and Eagle L.P. Audited Financial Statement

STARGELL COMMONS, L.P.

(A California Limited Partnership)

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

YEARS ENDED DECEMBER 31, 2019 AND 2018

STARGELL COMMONS, L.P.

(A California Limited Partnership)

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

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LINDQUIST
VON HUSEN
& JOYCE LLP

JAMES M. KRAFT
S. SCOTT SEAMANDS
ALEXIS H. WONG
CHARLOTTE SIEW-KUN TAY
CATHY L. HWANG
RITA B. DELA CRUZ
STANLEY WOO
SCOTT K. SMITH

CRISANTO S. FRANCISCO
JOE F. HUIE

The Partners
Stargell Commons, L.P.
Berkeley, California

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Stargell Commons, L.P., a California limited partnership, which comprise the balance sheets as of December 31, 2019 and 2018, and the related statements of operations, changes in partners' capital and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

BKR INTERNATIONAL CERTIFIED PUBLIC ACCOUNTANTS, 301 Howard Street, Suite 850, San Francisco, California 94105
Telephone 415 957 9999 Facsimile 415 957 1629 http://www.lvhj.com

AN INDEPENDENT MEMBER FIRM OF BKR INTERNATIONAL WITH ASSOCIATES IN PRINCIPAL CITIES WORLDWIDE

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Stargell Commons, L.P. as of December 31, 2019 and 2018, and the results of its operations and its cash flows for years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1 to the financial statements, Stargell Commons, L.P. is controlled by its general partner, Stargell Commons LLC, which is controlled by its sole member, Resources for Community Development, a California nonprofit public benefit corporation. Our opinion is not modified with respect to this matter.

As discussed in Note 2 to the financial statements, Stargell Commons, L.P. adopted the new accounting guidance required by accounting principles generally accepted in the United States of America and changed its presentation of the statements of cash flows. The change in accounting principle has been applied retrospectively to the prior period presented. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information on pages 20 through 22 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 2020 on our consideration of Stargell Commons, L.P.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Stargell Commons, L.P.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Stargell Commons, L.P.'s internal control over financial reporting and compliance.

Lindquist, von Husen and Joyce LLP

April 3, 2020

STARGELL COMMONS, L.P.

(A California Limited Partnership)

BALANCE SHEETS

DECEMBER 31, 2019 AND 2018

		2019		2018
ASSETS				
Current assets:				
Cash – operating	$	261,625	$	186,146
Cash – development		-		135,861
		261,625		322,007
Subsidy receivable		270		-
Prepaid expenses:				
Prepaid ground lease – current portion (Note 3)		4,041		4,041
Other		400		400
Total current assets		266,336		326,448
Restricted cash (Note 4):				
Replacement reserve		36,811		16,000
Investor limited partner operating reserve		200,063		200,000
Operating deficit reserve		110,535		119,000
Resident services reserve		100,032		100,000
Tenant security deposits		31,750		31,750
Prepaid ground lease – net of current portion (Note 3)		379,892		383,933
Property and equipment – net (Note 5)		14,571,512		15,045,102
Deferred costs – net (Note 6)		46,645		52,969
Total assets	$	15,743,576	$	16,275,202
LIABILITIES AND PARTNERS' CAPITAL				
Current liabilities:				
Accounts payable and accrued expenses	$	24,330	$	17,868
Accounts payable – development		-		1,000
Deferred revenue		671		718
Related-party payable (Note 7)		49,259		59,735
Interest payable – current portion (Note 8)		46,951		70,644
Notes payable – current portion (Note 8)		48,546		79,693
Total current liabilities		169,757		229,658
Tenant security deposits		31,750		31,750
Interest payable – net of current portion (Note 8)		308,171		230,259
Notes payable – net of current portion (Note 8)		4,779,068		4,824,022
Total liabilities		5,288,746		5,315,689
Partners' capital:				
Partners' capital		10,524,830		11,029,513
Syndication costs		(70,000)		(70,000)
Total partners' capital		10,454,830		10,959,513
Total liabilities and partners' capital	$	15,743,576	$	16,275,202

The accompanying notes are an integral part of these financial statements.

STARGELL COMMONS, L.P.

(A California Limited Partnership)

STATEMENTS OF OPERATIONS

YEARS ENDED DECEMBER 31, 2019 AND 2018

		2019		2018
Income:				
Gross potential rent	$	528,453	$	505,584
Other income		6,366		6,928
Total income		534,819		512,512
Operating expenses:				
Administrative		96,384		107,839
Utilities		29,434		27,092
Operating and maintenance		122,390		72,649
Taxes and insurance		28,115		32,475
Social servcies		34,177		32,586
Total operating expenses		310,500		272,641
Operating income		224,319		239,871
Financial, partnership and other expenses:				
Interest (Note 8)		166,994		191,932
Interest – permanent loan costs (Notes 8)		3,593		3,402
GP asset management fee (Note 7)		25,000		25,000
LP asset management fee (Note 7)		8,500		8,500
Tax credit compliance fee (Note 7)		10,609		10,300
Ground lease (Note 3)		4,041		4,042
Miscellaneous financial expenses		12,600		13,598
Total financial, partnership and other expenses		231,337		256,774
Depreciation		478,397		478,143
Amortization		6,324		6,325
Net loss	$	(491,739)	$	(501,371)

The accompanying notes are an integral part of these financial statements.

STARGELL COMMONS, L.P.

(A California Limited Partnership)

STATEMENTS OF CHANGES IN PARTNERS' CAPITAL

YEARS ENDED DECEMBER 31, 2019 AND 2018

	General Partner [a]	Investor Limited Partner [b]	Class B Limited Partner [c]	Limited Partner Contribution Receivable	Syndication Costs	Total
Partnership interest	1.0%	98.9%	0.1%	-	-	100%
Balance, December 31, 2017	$ (15,634)	$ 11,443,209	$ -	$ (10,637,788)	$ (70,000)	$ 719,787
Capital contribution	-	-	-	10,637,788	-	10,637,788
Equity adjustment	-	103,309	-	-	-	103,309
Net loss of 2018	(5,515)	(495,856)	-	-	-	(501,371)
Balance, December 31, 2018	(21,149)	11,050,662	-	-	(70,000)	10,959,513
Capital distribution	(129)	(12,802)	(13)	-	-	(12,944)
Net loss of 2019	(5,422)	(486,330)	13	-	-	(491,739)
Balance, December 31, 2019	$ (26,700)	$ 10,551,530	$ -	$ -	$ (70,000)	$ 10,454,830

[a] *Stargell Commons LLC*
[b] *Wells Fargo Affordable Housing Community Development Corporation*
[c] *Island City Development*

The accompanying notes are an integral part of these financial statements.

STARGELL COMMONS, L.P.

(A California Limited Partnership)

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Cash flows from operating activities:		
Net loss	$ (491,739)	$ (501,371)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	484,721	484,468
Interest – amortization of permanent loan costs	3,593	3,402
Amortization of ground lease	4,041	4,042
(Increase) decrease in assets:		
Subsidy receivable	(270)	25
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	6,462	3,148
Related-party payables	(10,476)	9,187
Deferred revenue	(47)	(664)
Interest payable	54,219	41,858
Net cash provided by operating activities	50,504	44,095
Cash flows from investing activities:		
Purchase of property and equipment	(4,807)	(17,371)
Payment of refundable and other deposits, net of refunds received	-	75,695
Net cash provided by (used in) investing activities	(4,807)	58,324
Cash flows from financing activities:		
Proceeds from capital contribution	-	704,018
Payment of capital distribution	(12,944)	-
Proceeds from notes payable	-	77,761
Payment of notes payable	(79,694)	(91,735)
Payment of developers fees	-	(150,750)
Payment of development payable	(1,000)	(31,638)
Payment of permanent loan costs	-	(2,975)
Net cash provided by (used in) financing activities	(93,638)	504,681
Net increase (decrease) in cash and restricted cash	(47,941)	607,100
Cash and restricted cash, beginning of year	788,757	181,657
Cash and restricted cash, end of year	$ 740,816	$ 788,757

The accompanying notes are an integral part of these financial statements.

STARGELL COMMONS, L.P.

(A California Limited Partnership)

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Cash – operating	$ 261,625	$ 186,146
Cash – development	-	135,861
Restricted cash:		
Replacement reserve	36,811	16,000
Investor limited partner operating reserve	200,063	200,000
Operating deficit reserve	110,535	119,000
Resident services reserve	100,032	100,000
Tenant security deposits	31,750	31,750
Total cash and restricted cash shown in the statements of cash flows	$ 740,816	$ 788,757
Supplementary information:		
Cash paid for interest – net of capitalized portion	$ 112,775	$ 150,074
Noncash investing and financing activities:		
Liabilities paid from capital contribution through escrow	$ -	$ 10,037,079

The accompanying notes are an integral part of these financial statements.

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Stargell Commons, L.P. (Stargell) was formed as a limited partnership under the laws of the State of California on February 20, 2015 to acquire, construct, maintain, and operate four residential buildings consisting of 32 residential units located in Alameda, California, which is currently operating under the name of Stargell Commons (the Project). The Project was placed in service in June 2017. The tax credit allocation date was June 10, 2015.

Stargell is controlled by its general partner, Stargell Commons LLC, which is controlled by its sole member, Resources for Community Development (RCD), a California nonprofit public benefit corporation. The investor limited partner is Wells Fargo Affordable Housing Community Development Corporation, and Island City Development is the class B limited partner.

The Project was built on land owned by and leased from the Housing Authority of the City of Alameda (the Housing Authority). Under the terms of lease, title to the improvements reverts to the lessor at the end of the 99-year lease term (see Note 3).

Development costs were partially financed by the Housing Authority of the City of Alameda loan, County of Alameda loan, the City of Alameda loan, and the RCD Sponsor loan. Construction financing was provided by Wells Fargo Bank, N.A. (Wells Fargo Bank). Permanent financing was obtained from the conversion of the Wells Fargo Bank construction loan into permanent financing of $967,907, and the rollover of the Housing Authority loan, County of Alameda loan, City of Alameda loan, and RCD Sponsor loan.

The Project participates in the low-income housing tax credit program under Section 42 of the Internal Revenue Code as modified by the State of California. Various loan, regulatory and other agreements dictate the maximum income levels of new tenants and provide rent and other restrictions through 2114.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Method

Stargell uses the accrual method of accounting, which recognizes income in the period earned and expenses when incurred, regardless of the timing of payments.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Rental income is shown at its maximum gross potential. Vacancy loss is shown as a reduction in rental income. Rental units occupied by employees are included in rental income and as an expense of operations.

Cash and Restricted Cash

Cash is defined as cash in demand deposit accounts as well as cash on hand. Restricted cash are funds restricted as to their use, regardless of liquidity, such as replacement reserve, investor limited partner operating reserve, operating deficit reserve, resident services reserve and tenant security deposits. Stargell occasionally maintains cash on deposit at banks in excess of the Federal Deposit Insurance Corporation limit. The uninsured cash balance, including restricted accounts, was approximately $264,000 as of December 31, 2019. Stargell has not experienced any losses in such accounts.

Stargell adopted the new accounting guidance required by accounting principles generally accepted in the United States of America and changed its presentation of the statements of cash flows. As a result, the 2018 statement of cash flows has been restated to include cash and restricted cash.

Accounts Receivable

Stargell records an allowance for doubtful collections based on a review of outstanding receivables, historical collection information, and existing economic conditions. The allowance for doubtful collections was $-0- as of December 31, 2019 and 2018.

Property and Equipment, and Deferred Costs

Property and equipment are stated at cost of acquisition or construction. The costs of maintenance and repairs below $5,000 that neither significantly add to the permanent value of a property and equipment nor prolong its intended useful life are charged to expense as incurred. Depreciation is computed based on the straight-line method over the estimated useful lives of the assets.

Deferred costs are incurred in order to obtain tax credits for the Project. Deferred costs are stated at cost and amortized on a straight-line basis over the 10-year tax credit period. Organization costs are expensed as incurred.

The useful lives of the assets are estimated as follows:

Buildings and improvements	40 years
On-site improvements	15 years
Offsite improvements	15 years
Furniture, fixtures and equipment	7 years
Tax credit costs	10 years

Stargell reviews its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the property and equipment to the future net undiscounted cash flow expected to be generated by the rental property, including the low-income housing tax credits and any estimated proceeds from the eventual disposition of the property and equipment. If the property and equipment is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the property and equipment exceeds the fair value of such property. There were no impairment losses recognized in 2019 and 2018.

Permanent Loan Costs

Costs incurred in order to obtain permanent financing are stated at cost and amortized on a straight-line basis into interest expense over the term of the loan. Permanent loan costs are reported as a direct deduction from the face amount of the related debt.

Ground Lease

The ground lease payments are stated at cost and amortized on a straight-line basis over the lease term.

Income Taxes

No provision for federal and state income taxes is included in the financial statements. The income or loss of Stargell is reported by the partners on their income tax returns.

Stargell believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. Stargell's federal and state income tax returns for the years 2015 through 2018 are subject to examination by regulatory agencies, generally for three years and four years after they were filed for federal and state, respectively.

Allocation of Partnership Income/Loss and Tax Credits

Stargell is expected to generate low-income housing credits, which will be allocated in the same manner as the income or loss of Stargell. Because the limited partners' losses are limited to their investments, the limited partners' equity will not be reduced below zero unless future capital contributions will be made in an amount sufficient to absorb the losses. All remaining losses are allocated to the general partner. Any subsequent income allocable to the limited partners are allocated to the general partner first until the general partner's share of that income offsets the losses not previously recognized by the limited partners.

Subsequent Events

Management has evaluated subsequent events through April 3, 2020 the date on which the financial statements were available to be issued.

The emergence and spread of the coronavirus (COVID-19) during the first quarter of 2020 has affected businesses and economic activities in the U.S. and beyond. The extent of the impact of COVID-19 on Stargell's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, the effects on residents, supply chains, service providers, business partners, and changes in business practices, and all of which are uncertain and cannot be determined at this time.

Reclassification

Certain amounts previously reported in the 2018 financial statements were reclassified to conform to the 2019 presentation for comparative purposes.

NOTE 3 – GROUND LEASE

On November 24, 2015, Stargell entered into a ground lease agreement to lease the land on which the Project was built from the Housing Authority, an affiliate of the class B limited partner. The lease expires on December 31, 2114, and upon the expiration or termination of the lease, the title to improvements and all alterations, additions, equipment and fixtures shall be reverted to the Housing Authority without any additional costs. The lease requires a one-time initial rent payment of $400,000 at construction closing date and annual payments of $1 payable on January 1st commencing 2016. Stargell prepaid the entire amount of rent $400,099 at the closing date of the construction financing for the Project. Total lease payments are amortized on a straight-line basis over the 99-year lease term. Ground lease rent expense was $4,041 and $4,042 for 2019 and 2018, respectively. Prepaid ground lease was $383,933 and $387,974 for 2019 and 2018, respectively.

NOTE 4 – RESTRICTED CASH

Replacement Reserve

Stargell is required to maintain a reserve for replacement and repair of property and equipment in accordance with the partnership agreement and other lenders' regulatory agreements. The reserve is required to be funded on a monthly basis at an annual rate of $19,200 commencing February 2018, the month of permanent loan conversion. Withdrawals from the replacement reserve in excess of $10,000 are subject to approval by the investor limited partner and Wells Fargo Bank, permanent lender.

Investor Limited Partner Operating Reserve

Stargell is required to maintain an investor limited partner operating reserve in accordance with the partnership agreement and other lenders' regulatory agreements. The reserve was funded with an initial amount of $200,000 using proceeds from the limited partner's performance installment of capital contribution received in February 2018. The reserve is also required to make annual deposits of at least 2% of gross rent until the operating reserve balance reaches an amount equaling to six months of annual operating expenses including debt services. If the balance falls below $100,000, the reserve shall be replenished from excess/distributable cash (see Note 11). Withdrawals from the operating reserve are subject to approval by the investor limited partner and Wells Fargo Bank.

Operating Deficit Reserve

Stargell is required to maintain an operating deficit reserve to fund annual asset management fees payable to the investor limited partner in accordance with the partnership agreement. The reserve was funded with an initial deposit of $127,500 using the proceeds from performance installment of the limited partner capital contribution received in February 2018. No additional deposits are required. Withdrawals up to $8,500 per year are allowed to pay the LP asset management fee.

Resident Services Reserve

Stargell is required to maintain a supportive services reserve for the exclusive use for resident services at the Project in accordance with the partnership agreement and other lenders' regulatory agreements. The reserve is required to be funded with an initial amount of $100,000 using proceeds from the limited partner's performance installment of capital contribution received in February 2018. No additional deposits are required.

Tenant Security Deposits

Stargell is required to hold security deposits in a separate bank account in the name of the Project.

In accordance with provisions of the agreements, restricted cash is held in separate bank accounts. Details follow:

	Replacement Reserve	*Operating Reserve*	*Operating Deficit Reserve*	*Resident Services Reserve*
Balance, December 31, 2017	$ -	$ -	$ -	$ -
Initial deposit	-	200,000	127,500	100,000
Deposits [1]	16,000	-	-	-
Withdrawal [2]	-	-	(8,500)	-
Interest	-	-	-	-
Balance, December 31, 2018	16,000	200,000	119,000	100,000
Deposits [1]	19,200	-	-	-
Withdrawal [2]	-	-	(8,500)	-
Interest	11	63	35	32
Balance, December 31, 2019	$ 36,811	$ 200,063	$ 110,535	$ 100,032

(1) Management deposited an additional $1,600 in 2019 to satisfy the 2018 funding requirement. In addition, management plans to deposit $1,294 into the operating reserve in 2020 to satisfy the 2019 funding requirement.

(2) Management withdrew $8,500 each in 2019 and 2018 for the LP asset management fee of 2018 and 2017, respectively. The payment for the 2019 LP asset management fee will be withdrawn in 2020.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows:

	2019	2018
Land improvements	$ 324,134	$ 324,134
Buildings and improvements	13,706,354	13,706,354
On-site improvements	1,368,759	1,363,952
Offsite improvements	216,320	216,320
Furniture, fixtures and equipment	211,306	211,306
	15,826,873	15,822,066
Less: accumulated depreciation	(1,255,361)	(776,964)
Total property and equipment	$ 14,571,512	$ 15,045,102

NOTE 6 – DEFERRED COSTS

Deferred costs are summarized as follows:

	2019	2018
Tax credit costs	$ 63,247	$ 63,247
Less: accumulated amortization	(16,602)	(10,278)
Total deferred costs	$ 46,645	$ 52,969

NOTE 7 – RELATED-PARTY TRANSACTIONS

Related-party transactions include the following fees and charges:

Payable/Paid to Description	*Payable at December 31, 2019*	*2019 Expense (Payment)*	*Payable at December 31, 2018*	2018 Expense (Payment)
Resources for Community Development				
Developer fee (1)	$ -	$ -	$ -	$ (902,500)
Resident services coordination fee (2)	5,150	5,150 (5,000)	5,000	5,000 (5,000)
Advances	-		1,000	

Payable/Paid to Description	*Payable at December 31, 2019*	*2019 Expense (Payment)*	*Payable at December 31, 2018*	2018 Expense (Payment)
Housing Authority of the City of Alameda				
Developer fee [3]	-	-	-	(100,000)
Stargell Commons LLC				
GP asset management fee [4]	25,000	25,000	25,000	25,000
		(25,000)		(25,000)
Tax credit compliance fee [5]	10,609	10,609	20,235	10,300
		(20,235)		(65)
Wells Fargo Affordable Housing Community Development Corporation				
LP asset management fee [6]	8,500	8,500	8,500	8,500
		(8,500)		(8,500)
Total	$ 49,259		$ 59,735	

(1) RCD earned a developer fee of $1,300,000 according to the development services agreement between Stargell and RCD. The balance was paid in full with proceeds from the limited partner's capital contributions in 2018.

(2) Commencing January 1, 2017, Stargell is required to pay RCD an annual resident services coordination fee, up to $40,000, subject to 3.5% annual increases, to be paid from the annual operating budget approved by the County of Alameda through December 31, 2032. The amount reflects the portion of that fee paid to RCD beyond the resident services expense shown in operating expenses.

(3) The Housing Authority of the City of Alameda is the co-developer of the Project and earned a developer fee of $100,000 according to the disposition, development and loan agreement between Stargell and the Housing Authority. The balance was paid in full with proceeds from the limited partner's capital contributions in 2018.

(4) Commencing January 1, 2017, Stargell is required to pay Stargell Commons LLC an annual GP asset management fee of $25,000, payable from excess/distributable cash (see Note 11). In no event shall the aggregate annual payment of GP asset management fee, tax credit compliance fee and property management fee exceed 14% of the Project's effective gross income, as defined in the partnership agreement.

(5) Commencing January 1, 2017, Stargell is required to pay Stargell Commons LLC an annual tax credit compliance fee of $10,000, subject to 3% annual increases, payable from excess/distributable cash (see Note 11). In no event shall the aggregate annual payment of GP asset management fee, tax credit compliance fee and property management fee exceed 14% of the Project's effective gross income, as defined in the partnership agreement.

(6) Commencing January 1, 2017, Stargell is required to pay the investor limited partner an annual asset management fee of $8,500 payable in arrears from excess/distributable cash (see Note 11) to the extent not paid from the operating deficit reserve (see Note 4). Unpaid fees carry forward without interest.

Other

See Note 3 for the ground lease from the Housing Authority.

NOTE 8 – NOTES PAYABLE

Notes payable are secured by the property unless otherwise noted and are consist of the following:

	2019		2018	
	Interest Payable	*Principal*	*Interest Payable*	*Principal*
Wells Fargo Bank, construction loan, in the maximum amount of $10,460,000, bore variable interest at USD-LIBOR-BBA rate. Interest only payments were due monthly until the conversion date on February 1, 2018, at which time $967,907 was converted to a 15-year permanent amortizing loan bearing interest at 5.06%, with monthly principal and interest payments of $7,684. The loan is to be repaid in full by February 1, 2033. Interest expense was $45,863 and $71,159 for 2019 and 2018, respectively.	$ 3,732	$ 885,028	$ 3,927	$ 931,185
Housing Authority of City of Alameda, in the original amount of $2,000,000, bears simple interest at 3%, with annual payments from excess/distributable cash (see Note 11) due by May 1 each year commencing 2018. The loan is to be repaid in full by December 2072. Interest expense was $60,000 for both 2019 and 2018.	184,030	2,000,000	157,075	2,000,000
County of Alameda, in the original amount of $1,670,664, comprised of Boomerang and HOME funds of $1,379,337 and $291,327, respectively, bears simple interest at 3%, with annual payments from excess/distributable cash (see Note 11) due by May 1 each year commencing 2018. The loan is to be repaid in full by May 2072. Interest expense was $50,120 and $49,762 for 2019 and 2018, respectively.	121,335	1,670,664	98,822	1,670,664
City of Alameda, HOME loan, in the original amount of $367,043, bears simple interest at 3%, with annual payments from excess/distributable cash (see Note 11) due by May 1 each year commencing 2018. The loan is to be repaid in full by April 2072. Interest expense was $11,011 for both 2019 and 2018.	46,025	367,043	41,079	367,043

	2019		2018	
	Interest Payable	*Principal*	*Interest Payable*	*Principal*
Related-Party Note Payable				
Resources for Community Development, the Sponsor loan, unsecured, in the original amount of $88,550, non-interest bearing loan. Annual payments of principal from excess/distributable cash are due by June 1 each year commencing 2018 (see Note 11). The entire outstanding balance of principal was repaid in full in 2019.	-	-	-	33,537
Total	355,122	4,922,735	300,903	5,002,429
Less: unamortized permanent loan costs [(1)]	-	(95,121)	-	(98,714)
Notes payable – net	355,122	4,827,614	300,903	4,903,715
Less: current portion	(46,951)	(48,546)	(70,644)	(79,693)
Long-term portion	$ 308,171	$ 4,779,068	$ 230,259	$ 4,824,022

[(1)] Costs incurred in order to obtain permanent financing were $103,383 at both December 31, 2019 and 2018. Permanent loan costs are amortized on a straight-line basis into interest expense over the terms of the loans. Interest expenses for amortization of permanent loan costs were $3,593 and $3,402 for 2019 and 2018, respectively.

Principal payments on notes payable for the next five years are subject to changes in net cash flow and are estimated as follows:

2020	$ 48,546
2021	51,061
2022	53,705
2023	56,486
2024	59,412

NOTE 9 – PARTNERS' CAPITAL AND CONTRIBUTIONS

As of December 31, 2019, the partners in Stargell and their required capital contributions were as follows:

Entity	*Title*	*Allocation of Profit and Loss*	*Contribution Required*	*Contribution Received* [(1)]
Stargell Commons LLC	General Partner	1.0%	$ 10	$ 10
Island City Development	Class B Limited Partner	0.1%	-	-
Wells Fargo Affordable Housing Community Development Corporation	Investor Limited Partner [(1)]	98.9%	12,138,789	12,138,789
		100.0%	$ 12,138,799	$ 12,138,799

[(1)] An additional contribution of $103,309 and capital contributions receivable from the partners were received in full in 2018.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Property Management

Property management and accounting services of the Project is contracted with The John Stewart Company through December 2019 for an annual fee of $21,888 and $3,648, respectively. The contract converts to a month-to-month term if not extended at the end of the initial term.

Resident Services

Resident social services of the Project are contracted with Operations Dignity through December 2019 for an aggregate amount not to exceed $29,921. The contract is subject to renewal annually thereafter.

Operating Deficit Guaranty

The general partner is required to fund operating deficits incurred by Stargell without limitation as to amount prior to making the performance installment, as defined in the partnership agreement. After the performance installment was made in February 2018, the general partner is required to fund operating deficits incurred by Stargell up to $210,000 in the aggregate. The guaranty will expire provided that: (i) Stargell has maintained an average occupancy of 90% and an average debt service coverage ratio of 1.15 or better for any 12 consecutive month period commencing at least 2 years after the making of the performance installment, (ii) permanent loan closing has occurred, (iii) Stargell has received Forms 8609, (iv) adjuster distributions owed to the investor limited partner, if any, have been made, (v) the current amount in the investor limited partner operating reserve is not less than $100,000, and (vi) no default by the general partner exists. Such advances will be treated as unsecured loans bearing 10% compounded interest and repayable from excess/distributable cash (see Note 11).

Right of First Refusal

The Housing Authority has a right of first refusal to purchase the Project during the twenty-four-month period commencing on the first day following December 31, 2031, the end of the 15-year compliance period. The purchase price of the Project, if acquired using the right of first refusal after notice of a bona fide purchase offer, shall be equal to the greater of: (i) $100; or (ii) the sum of: (a) all outstanding debt secured by the property, plus (b) the sum of: (1) all taxes attributable to the purchase, plus (2) unpaid adjuster distributions, if any, including interest, plus (3) all debts owed to the investor limited partner.

Purchase Options

The Housing Authority has an option to purchase either the Project or the investor limited partner's partnership interest during the twenty-four-month period commencing on the first day following December 31, 2031, the end of the 15-year compliance period.

The purchase price of the Project shall be equal to the sum of all debts owed to the investor limited partner plus the greater of: (i) the sum of $1 plus (a) the amount of outstanding debt of Stargell, plus (b) an amount sufficient to distribute to the investor limited partner equal to all taxes incurred by the limited partner attributable to the sale, if the Project were purchased for $1 plus all outstanding debts of Stargell; or (ii) the fair market value of the Project.

The purchase price of the investor limited partner's partnership interest shall be equal to the sum of all debts owed to the investor limited partner plus the greater of: (i) the sum of $1 plus (a) the amount of outstanding debt of Stargell, plus (b) an amount sufficient to distribute to the investor limited partner equal to all taxes incurred by the limited partner attributable to the sale, if the Project were purchased for $1 plus all outstanding debts of Stargell; or (ii) the fair market value of the investor limited partner's partnership interest.

NOTE 11 – DISTRIBUTION OF EXCESS/DISTRIBUTABLE CASH

Excess cash, as defined by the partnership agreement and other lenders' regulatory agreements, is distributable as follows:

(i) First, to the payment of any adjuster distributions payable, in accordance with the limited partnership agreement;

(ii) Second, to payment of LP asset management fee in the amount $8,500 per year (to the extent not paid by the operating deficit reserve);

(iii) Third, to deposit in investor limited partner operating reserve to restore the balance to $100,000;

(iv) Fourth, to the payment of any unpaid deferred developer fee;

(v) Fifth, to payment of GP asset management fee up to $25,000 per year, provided that the amount when added to (ii), only when the amount in (ii) is paid from distributable cash, does not exceed $25,000 per year, during the 15-year tax credit compliance period, and in an amount to be approved by the County of Alameda thereafter;

(vi) Sixth, 50% of the remaining excess cash towards debt service as follows:

a) 49.53% to the Housing Authority loan;
b) 7.22% to the HOME component of the County loan;
c) 34.16% to the Boomerang component of the County loan; and
d) 9.09% to the City HOME loan.

(vii) Seventh, to payment of any unpaid GP asset management fees from all prior years;

(viii) Eighth, to the payment of any limited partner loans;

(ix) Ninth, to the payment of any operating deficit loan;

(x) Tenth, to the payment of tax credit compliance fee, in an annual amount of $10,000, to be increased by 3% annually beginning 2018, to the extent that total property management fee, GP asset management fee, tax credit compliance fee and GP distribution does not exceed 14% of partnership's effective gross income for the year (1); and

(xi) Thereafter, to repay the Sponsor Loan.

Distributable cash, if any, as defined by the partnership agreement, shall be distributed as follows:

(i) 98.90% to the investor limited partner
(ii) 1.00% to the general partner; and
(iii) 0.10% to the class B limited partner.

(1) In the event that the total exceeds 14% of Stargell's effective gross income for the year, the fees and distributions should be reduced in the following order: general partner distribution, tax credit compliance fee, and GP asset management fee.

SUPPLEMENTARY INFORMATION

STARGELL COMMONS, L.P.

(A California Limited Partnership)

SCHEDULES OF OPERATING EXPENSES

YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Administrative:		
Conventions and meetings	$ 693	$ 1,259
Advertising and marketing	153	413
Office expenses	9,262	8,559
Property management fee	21,888	21,888
Manager's expenses or superintendent salaries	30,235	29,246
Staff rent-free unit	14,976	14,976
Audit and tax preparation	13,500	26,800
Bookkeeping	3,648	3,648
Miscellaneous	2,029	1,050
	$ 96,384	$ 107,839
Utilities:		
Electricity	$ 1,662	$ 883
Water	14,642	14,038
Gas	7,852	7,417
Sewer	5,278	4,754
	$ 29,434	$ 27,092
Operating and maintenance:		
Payroll	$ 27,626	$ 23,574
Supplies	6,782	3,666
Contracts	51,863	15,324
Garbage and trash removal	27,248	26,513
Heating/cooling repairs and maintenance	4,804	-
Miscellaneous	4,067	3,572
	$ 122,390	$ 72,649

STARGELL COMMONS, L.P.

(A California Limited Partnership)

SCHEDULES OF OPERATING EXPENSES

YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Taxes and insurance:		
Payroll taxes	$ 2,901	$ 3,862
Property and liability insurance	18,494	16,914
Fidelity bond insurance	59	71
Workers' compensation	1,999	2,803
Health insurance and employee benefit	1,842	4,412
Miscellaneous	2,820	4,413
	$ 28,115	$ 32,475
Social services:		
Resident services payroll	$ 29,027	$ 27,586
Resident services coordination fee	5,150	5,000
	$ 34,177	$ 32,586

STARGELL COMMONS, L.P.

(A California Limited Partnership)

COMPUTATION OF EXCESS/DISTRIBUTABLE CASH

YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Operating income:		
Total income	$ 534,819	$ 512,512
Interest income on restricted deposits	(141)	-
Adjusted operating income	534,678	512,512
Operating expenses:		
Operating expenses	310,500	272,641
Less: expenses paid with development funds:		
Rent up and grand opening	-	(210)
Audit and tax services	(10,300)	(14,500)
Security supplies	(2,268)	-
Licenses and fees	-	(1,258)
Adjusted operating expenses	297,932	256,673
Adjusted net income	236,746	255,839
Other activities:		
Deposits into reserves	(19,200)	(16,000)
Deposits into reserves subsequent to year end	(1,294)	(1,600)
Debt service cost – mortgage	(92,215)	(80,770)
Monitoring fees – Alameda County (paid from development)	(12,600)	-
Development source available for distribution	-	964
Excess/distributable cash	$ 111,437	$ 158,433
Uses of excess/distributable cash:		
GP asset management fee	$ 25,000	$ 25,000
Debt service – Housing Authority loan interest	21,406	33,045
Debt service – County of Alameda loan interest	17,884	27,607
Debt service – City of Alameda loan interest	3,929	6,065
Tax credit compliance fee	10,609	20,235
Debt service – RCD Sponsor loan	-	33,537
Distribution – general partner	325	129
Distribution – investor limited partner	32,251	12,802
Distribution – Class B limited partner	33	13
Total uses	$ 111,437	$ 158,433

The annual LP asset management fee is paid from the operating deficit reserve in arrears.

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Stargell Commons, L.P.
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Stargell Commons, L.P., which comprise the balance sheet as of December 31, 2019 and the related statements of operations, changes in partners' capital and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 3, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Stargell Commons, L.P.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Stargell Commons, L.P.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Stargell Commons, L.P.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Stargell Commons, L.P.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of This Report

The purpose of this report is solely to describe the scope of testing of internal control and compliance and the results of testing, and not to provide an opinion on the effectiveness of Stargell Commons, L.P.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Stargell Commons, L.P.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lindquist, von Husen and Joyce LLP

April 3, 2020

SHERMAN AND BUENA VISTA LP
(A CALIFORNIA LIMITED PARTNERSHIP)
FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2019 AND 2018

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SHERMAN AND BUENA VISTA LP
(A CALIFORNIA LIMITED PARTNERSHIP)
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DECEMBER 31, 2019 AND 2018

INDEPENDENT AUDITOR'S REPORT

To the Partners of
Sherman and Buena Vista LP:

Report on the Financial Statements

We have audited the accompanying financial statements of Sherman and Buena Vista LP, a California limited partnership (the Partnership), which comprise the balance sheets as of December 31, 2019 and 2018, and the related statements of operations, changes in partners' capital, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Partnership's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sherman and Buena Vista LP as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

HOLTHOUSE | CARLIN | VAN TRIGT LLP

Report on the Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information in Schedules I and II is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Holthouse Carlin & Van Trigt LLP

Los Angeles, California
March 4, 2020

SHERMAN AND BUENA VISTA LP
(A CALIFORNIA LIMITED PARTNERSHIP)
BALANCE SHEETS

AS OF DECEMBER 31,	2019	2018
Assets		
Property, at cost		
Leasehold land improvements	$ 55,099	$ 55,099
Buildings and improvements	14,111,517	14,086,494
Site work	724,727	724,727
Personal property	288,200	288,200
Total property	15,179,543	15,154,520
Less: accumulated depreciation	(632,029)	(183,946)
Property, net	14,547,514	14,970,574
Cash and cash equivalents	473,965	275,647
Tenant accounts receivable	1,303	576
Due from affiliate	7,836	-
Prepaid expenses and other assets	19,270	17,655
Insurance refund receivable	-	25,023
TCAC refundable deposit	32,855	32,855
Prepaid ground lease	3,306,668	3,341,112
Restricted cash		
Operating reserve	245,668	-
Replacement reserve	11,625	-
Tenant security deposits	22,500	22,924
TCAC fees, net	42,911	45,976
Total assets	$ 18,712,115	$ 18,732,342
Liabilities and Partners' Capital		
Notes payable, net of debt issuance costs	$ 9,428,247	$ 17,386,578
Accounts payable and accrued expenses	46,164	14,233
Accrued interest payable	517,448	371,066
Accrued asset management fees	7,233	2,083
Accrued partnership management fees	28,933	8,333
Developer fee payable	40,000	560,000
Construction costs payable	110,383	152,370
Due to affiliate	-	5,794
Prepaid rents	7,632	997
Tenant security deposits liability	22,500	22,924
Total liabilities	10,208,540	18,524,378
Commitments and contingencies (See Notes)		
Partners' capital	8,503,575	207,964
Total liabilities and partners' capital	$ 18,712,115	$ 18,732,342

See accompanying notes to financial statements.

SHERMAN AND BUENA VISTA LP
(A CALIFORNIA LIMITED PARTNERSHIP)
STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31,	2019	2018
Revenues		
Tenant rents	$ 126,845	$ 72,334
Rental subsidies	434,937	156,185
Less: vacancies and concessions	(2,863)	(24,788)
Net rental revenues	558,919	203,731
Other revenue	3,546	-
Total revenues	562,465	203,731
Operating expenses (Schedule I)		
Administrative	109,584	48,795
Utilities	21,017	5,075
Operating and maintenance	51,150	16,569
Ground lease expense	34,444	14,249
Taxes and insurance	32,865	7,856
Total operating expenses	249,060	92,544
Operating income before partnership and financial (income) expenses	313,405	111,187
Partnership and financial (income) expenses		
Interest expense	355,195	189,969
Interest income	(284)	-
Asset management fee	5,150	2,083
Partnership management fee	20,600	8,333
Miscellaneous financial expenses	11,960	-
Start-up costs	-	71,364
Total partnership and financial (income) expenses	392,621	271,749
Loss before depreciation and amortization	(79,216)	(160,562)
Depreciation	448,083	183,946
Amortization	3,065	1,179
Net loss	$ (530,364)	$ (345,687)

See accompanying notes to financial statements.

SHERMAN AND BUENA VISTA LP
(A CALIFORNIA LIMITED PARTNERSHIP)
STATEMENTS OF CHANGES IN PARTNERS' CAPITAL

	General Partner	Limited Partner	Total
Balance, December 31, 2017	$ 100	$ 560,775	$ 560,875
Syndication costs	-	(7,224)	(7,224)
Net loss	(35)	(345,652)	(345,687)
Balance, December 31, 2018	65	207,899	207,964
Contributions	250,000	8,575,975	8,825,975
Net loss	(53)	(530,311)	(530,364)
Balance, December 31, 2019	$ 250,012	$ 8,253,563	$ 8,503,575

See accompanying notes to financial statements.

SHERMAN AND BUENA VISTA LP
(A CALIFORNIA LIMITED PARTNERSHIP)
STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,	2019	2018
Operating activities		
Net loss	$ (530,364)	$ (345,687)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	448,083	183,946
Amortization of TCAC fees	3,065	1,179
Amortization of debt issuance costs	22,716	32,698
Ground lease expense	34,444	14,249
Interest added to principal (Note 4)	-	62,698
Changes in operating assets and liabilities:		
Tenant accounts receivable	(727)	(576)
Due from affiliate	(7,836)	-
Prepaid expenses and other assets	(1,615)	(17,655)
Insurance refund receivable	25,023	(25,023)
Accounts payable and accrued expenses	31,931	14,233
Accrued interest payable	146,382	84,121
Accrued asset management fee	5,150	2,083
Accrued partnership management fee	20,600	8,333
Due to affiliate	(5,794)	4,157
Prepaid rents	6,635	997
Tenant security deposits liability	(424)	22,924
Net cash provided by operating activities	197,269	42,677
Investing activities		
Expenditures for development and construction costs	(587,010)	(4,614,531)
Cash used in investing activities	(587,010)	(4,614,531)
Financing activities		
Proceeds from notes payable	2,429,400	4,708,763
Payments on notes payable	(10,392,292)	-
Expenditures for debt issuance costs	(18,155)	(18,653)
Contributions	8,825,975	-
Payment of syndication costs	-	(7,224)
Net cash provided by financing activities	844,928	4,682,886
Net change in cash, cash equivalents, and restricted cash	455,187	111,032
Cash, cash equivalents, and restricted cash at beginning of year	298,571	187,539
Cash, cash equivalents, and restricted cash at end of year	$ 753,758	$ 298,571

See accompanying notes to financial statements.

SHERMAN AND BUENA VISTA LP
(A CALIFORNIA LIMITED PARTNERSHIP)
STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,	2019	2018
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest, net of capitalized interest	$ 186,097	$ 37,345
Supplemental disclosure of noncash investing and financing activities:		
Unpaid construction and development costs	$ -	$ 42,887
Unpaid developer fee accrued during 2018	$ -	$ 160,000
Unpaid capitalized interest (including capitalized interest added to principal)	$ -	$ 335,759
Capitalized ground lease payments	$ -	$ 20,195
Amortization of debt issuance costs to property	$ -	$ 153,042

See accompanying notes to financial statements.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization Sherman and Buena Vista LP (the Partnership) is a California limited partnership, which was formed on June 23, 2016 and subsequently amended and restated on December 1, 2016. The original partners are as follows: Del Monte Senior LLC, a California limited liability company (the General Partner) and the Housing Authority of the City of Alameda, a public body corporate and politic (the Initial Limited Partner). Effective December 1, 2016, the Housing Authority of the City of Alameda withdrew from the Partnership and NEF Assignment Corporation, an Illinois not-for-profit corporation, was admitted as the Limited Partner.

The Partnership is involved in the acquisition, construction, financing, leasing, and operation of a 31-unit multifamily affordable rental housing project located in Alameda, California (the Project), that was placed-in-service on July 31, 2018.

The Partnership has entered into regulatory agreements with the California Tax Credit Allocation Committee (TCAC), The Housing Authority of the City of Alameda (HACA), and the City of Alameda, which will govern the ownership, occupancy, tenant income and rents, and management of the Project.

The Amended and Restated Limited Partnership Agreement (Partnership Agreement) has various provisions which determine, among other things, allocations of profits, losses and distributions to partners, the ability to sell or refinance the Project, loans and guarantees, the rights and duties of the General Partner, and other Partnership matters.

The General Partner and Limited Partner's percentage of interest in profits and losses is generally .01% and 99.99%, respectively.

Basis of Accounting The Partnership's financial statements are presented in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). The accrual method of accounting is used which reflects revenues when earned and expenses as incurred

Rental Revenue Rental revenue is recognized as rents become due. Rental payments received in advance are deferred until earned. All leases between the Partnership and its tenants are operating leases. Residential rental revenues reflect the gross potential rent that may be earned. Vacancies are shown separately as a reduction in residential rent revenues.

Tenant Accounts Receivable Tenant accounts receivable are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. U.S. GAAP requires that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Property Management Fee The Partnership entered into a property management agreement with an unrelated entity. The property management agreement provides for a monthly fee equal to $55 per unit. Property management fees of $20,460 and $7,998 were incurred for the years ended December 31, 2019 and 2018, respectively.

Cash, Cash Equivalents, and Restricted Cash For purposes of the balance sheets and statements of cash flows, cash and cash equivalents consist of cash and highly liquid unrestricted investments with an original maturity of three months or less when purchased. The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the balance sheets that sum to the totals of the same such amounts presented in the statements of cash flows:

As of December 31,	2019	2018
Cash and cash equivalents	$ 473,965	$ 275,647
Restricted cash:		
Operating reserve	245,668	-
Replacement reserve	11,625	-
Tenant security deposits	22,500	22,924
Cash, cash equivalents, and restricted cash	$ 753,758	$ 298,571

Property Property is stated at cost. Depreciation is provided using the straight-line method over the following estimated useful lives:

Description	Life
Leasehold land improvements	99 years
Buildings and improvements	40 years
Site work	20 years
Personal property	5 years

The Partnership capitalizes expenditures or betterments that materially increase asset lives and charges ordinary repairs and maintenance to operations as incurred. When assets are sold or otherwise disposed of, the costs and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is included in operations.

The Partnership reviews its property for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. When evaluating recoverability, management considers future undiscounted cash flows estimated to be generated by the property including the low-income housing tax credits and any estimated proceeds from the eventual disposition. In the event these accumulated cash flows are less than the carrying amount of the property, the Partnership recognizes an impairment loss equal to the excess of the carrying amount over the estimated fair value of the property. No impairment losses were recognized in 2019 and 2018.

TCAC Fees TCAC fees are amortized over 15 years, which commenced when the Project was placed-in-service.

Debt Issuance Costs Debt issuance costs of $353,363 and $335,208, net of accumulated amortization of $227,077 and $204,361, as of December 31, 2019 and 2018, respectively, are reported as a direct reduction of the obligation to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense following the placed-in-service date and is calculated using a method that approximates the effective interest method.

Concentrations of Business and Credit Risk The Partnership may have exposure to credit risk to the extent that its cash and cash equivalents exceed amounts covered by federal deposit insurance. The Partnership believes that its credit risk is not significant.

The Partnership was granted an exemption from real property taxes with the Alameda County Assessor, which must be renewed annually. In the event the County Assessor does not grant the exemption, the Partnership's cash flow would be adversely impacted.

The Partnership rents to seniors who mostly depend on social security benefits for their income as well as rental assistance from governmental agencies. The Partnership is subject to business risks associated with the future funding of governmental public assistance, which affects occupancy as well as tenant' ability to make rental payments.

Estimates The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results may differ from those estimates.

Change in Accounting Principle Effective January 1, 2019, the Partnership adopted the provisions of Accounting Standards Update 2016-18, *Statement of Cash Flows – Restricted Cash* (ASU 2016-18). Under ASU 2016-18, restricted cash and restricted cash equivalents is now included with cash and cash equivalents when reconciling the total beginning and ending amounts for the periods shown on the statements of cash flows. Prior period amounts have been reclassified to conform to the current year presentation, resulting in an increase to net cash provided by operating activities of $22,924 for the year ended December 31, 2018 in the accompanying statements of cash flows.

2. RESERVES

Operating Reserve The Partnership Agreement and loan agreements require an initial funding of an operating reserve of $245,668 from the Limited Partner capital contributions, which has been funded as of December 31, 2019.

Replacement Reserve The Partnership Agreement and loan agreements require an annual replacement reserve of $500 per unit ($15,500 annually), with funding commencing in April 2019.

The following describes the activity in the reserve accounts:

	Balance 1/1/19	Deposits	Interest Earned	Withdrawals/ Fees	Balance 12/31/19
Operating reserve	$ -	$ 245,668	$ -	$ -	$ 245,668
Replacement reserve	-	11,625	-	-	11,625
Total	$ -	$ 257,293	$ -	$ -	$ 257,293

3. GROUND LEASE AGREEMENT – HACA

On December 1, 2016, the Partnership entered into a Ground Lease Agreement (the Agreement) to lease land owned by HACA. The Agreement, which expires December 31, 2115, provided for a prepaid ground lease payment of $3,410,000, which is evidenced by a note secured by a leasehold deed of trust (Note 4). The prepaid ground lease payment is reflected as prepaid ground lease in the accompanying balance sheets and is being amortized over the life of the Agreement, commencing upon the start of construction. During 2019 and 2018, the Partnership incurred annual amortization on the prepaid ground lease of $34,444 and $14,249, respectively.

4. NOTES PAYABLE

As of December 31,	2019	2018
Note payable to Compass Bank (Compass Loan), an Alabama banking corporation, provides construction financing in the maximum amount of $10,322,328. The note is secured by a Construction and Permanent Leasehold Deed of Trust with Absolute Assignment of Leases and Rents, Security Agreement and Fixture Filing. The note provides for interest only payments based on one-month LIBOR plus 1.80% per annum through the Conversion Date. The interest rate was 4.15% at December 31, 2018. In February 2019, the construction loan was partially paid off with the Limited Partner's capital contributions, with the remaining balance converted into a permanent loan of $2,429,400 with California Community Reinvestment Corporation (CCRC). The Partnership entered into a promissory note agreement with CCRC (CCRC Loan) for the permanent loan, with an interest rate of 5.39%, which requires monthly payments of principal and interest, and matures on March 1, 2034.	$ 2,348,793	$ 10,311,685
Note payable to the City of Alameda (HOME Loan), secured by a subordinate deed of trust, borrowings up to $195,740, simple interest at 3.00% per annum, payable from Residual Receipts and unpaid principal and interest are due on April 1, 2073.	195,740	195,740
Note payable to HACA (HACA Loan), in the original amount of $3,600,000, secured by a Leasehold Deed of Trust, Assignment of Rents, and Security Agreement, interest at 2.26%, compounded annually; principal and interest payable annually from Residual Receipts; unpaid principal and interest is due December 31, 2073.	3,600,000	3,600,000
Note payable to HACA (HACA Ground Lease Loan), in the original amount of $3,410,000, secured by a Leasehold Deed of Trust, Assignment of Rents, and Security Agreement, interest at 2.26%, compounded annually; principal and interest payable annually from Residual Receipts; unpaid principal and interest is due December 31, 2073.	3,410,000	3,410,000
Total notes payable	9,554,533	17,517,425
Less: unamortized debt issuance costs	(126,286)	(130,847)
Total notes payable, net	$ 9,428,247	$ 17,386,578

At December 31, 2019, anticipated principal repayments of notes payable are as follows:

For the Year Ending December 31,	Amount
2020	$ 112,661
2021	118,885
2022	125,454
2023	132,385
2024	139,700
Thereafter	8,925,448
Total	$ 9,554,533

The HOME Loan, HACA Loan, and HACA Ground Lease Loan are payable based on available Residual Receipts, as defined in the respective loan agreements. The percentage of Residual Receipts shall be paid as follows: 5.16% to HOME Loan and 94.84% to HACA Loan. Following the repayment in full of the HOME Loan and HACA Loan, 100% of residual receipts is to be allocated to the HACA Ground Lease Loan.

An analysis of interest costs for 2019 and 2018 is as follows:

	Accrued Interest 1/1/19	Interest Expense	Interest Paid	Accrued Interest 1/1/19
Compass Loan	$ 35,777	$ 50,638	$ (86,415)	$ -
CCRC Loan	-	110,232	(99,682)	10,550
HOME Loan	11,815	5,872	-	17,687
HACA Loan	165,917	85,110	-	251,027
HACA Ground Lease Loan	157,557	80,627	-	238,184
	$ 371,066	332,479	$ (186,097)	$ 517,448
Amortization of debt issuance costs		22,716		
Total interest expense		$ 355,195		

	Accrued Interest 1/1/18	Interest Expense	Capitalized Interest	Interest Added to Principal	Interest Paid	Accrued Interest 12/31/18
Compass Loan	$ 14,921	$ 94,006	$ 237,139	$ (272,944)	$ (37,345)	$ 35,777
HOME Loan	6,355	4,575	885	-	-	11,815
HACA Loan	86,558	39,429	39,930	-	-	165,917
HACA Ground Lease Loan	80,491	19,261	57,805	-	-	157,557
	$ 188,325	157,271	$ 335,759	$ (272,944)	$ (37,345)	$ 371,066
Amortization of debt issuance costs		32,698				
Total interest expense		$ 189,969				

5. RELATED PARTY TRANSACTIONS

Developer Fee HACA (the Developer) entered into a Development Fee Agreement with the Partnership and is entitled to receive a developer fee of $800,000 for its development services, all of which was incurred as of December 31, 2018. As of December 31, 2019 and 2018, $40,000 and $560,000 remains unpaid, respectively. The developer fee is expected to be paid from future Limited Partner capital contributions and Cash Flow.

Asset Management Fee In accordance with the Partnership Agreement, the Asset Manager, an affiliate of the Limited Partner, is to receive an annual asset management fee of $5,000 for property management oversight, tax credit monitoring, and related services. The fee shall increase by 3% per year and is payable from Cash Flow. Asset management fees of $5,150 and $2,083 were incurred in 2019 and 2018, respectively. As of December 31, 2019 and 2018, accrued asset management fees were $7,233 and $2,083, respectively.

Partnership Management Fee In accordance with the Partnership Agreement, the General Partner is to receive an annual partnership management fee of $20,000 for property management oversight, tax credit compliance monitoring and related services. The fee shall increase by 3% per year and is payable from Cash Flow. Partnership management fees of $20,600 and $8,333 were incurred in 2019 and 2018, respectively. As of December 31, 2019 and 2018, accrued partnership management fees were $28,933 and $8,333, respectively.

Rental Subsidies The Project has entered into a Housing Assistance Payment (HAP) contract with HACA. The contract is subject to renewal as it expires. The current term of the HAP contract is for the period commencing August 2018 and shall run for a period of fifteen years. In accordance with the HAP contract, the amount of each tenant's subsidy varies depending on the income of each tenant. The aggregate amount earned under the HAP contract was $434,937 and $156,185 for the years ended December 31, 2019 and 2018, respectively.

Due to Affiliate As of December 31, 2018, $5,794 was due to the General Partner for expenses paid by the General Partner on behalf of the Partnership. In addition, included in construction costs payable as of December 31, 2019 and 2018 are $110,383 of construction and development costs paid by the General Partner on behalf of the Partnership.

6. CAPITAL CONTRIBUTIONS

Pursuant to the First Amendment to Amended and Restated Limited Partnership Agreement dated February 20, 2019, the General Partner will make capital contributions of $250,100, as adjusted; all of which were received as of December 31, 2019. Pursuant to the Partnership Agreement, the Limited Partner anticipates making capital contributions of $9,267,044, subject to certain adjustments as defined in the Partnership Agreement. Through December 31, 2019, the Partnership has received $9,227,044 in Limited Partner capital contributions and anticipates receiving the balance in 2020.

7. INCOME TAXES AND LOW-INCOME HOUSING TAX CREDITS

The Partnership is a pass-through entity for income tax purposes and all items of income and losses of the Partnership are reported by the partners on their respective income tax returns. The Partnership's federal tax status as a pass-through entity is based on its legal status as a partnership. The Partnership is required to file tax returns with the Internal Revenue Service and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the Partnership has no other tax positions which must be considered for disclosure. The Partnership is subject to income tax examinations by tax authorities for the 2016 and 2017 tax years. There are no tax examinations currently pending.

The Partnership has received an allocation of federal low-income housing tax credits from TCAC, which are available only to the extent the Partnership complies with the Internal Revenue Service's tax credit regulations. The General Partner is responsible to ensure that the Partnership satisfies such requirements and has made certain guarantees to the Limited Partner, which are defined in the Partnership Agreement.

8. PURCHASE OPTION AND RIGHT OF FIRST REFUSAL

The Partnership has granted its General Partner an option and right of first refusal to purchase the project or the Limited Partner's interest. The purchase option shall commence following the close of the 12th year of the low-income housing tax credit compliance period. The purchase price under this option is the greater of the fair market value or the assumption of debt plus all federal and state income taxes due by the limited partner as a result of such sale and any unpaid portion of any credit adjuster payments. The right of first refusal shall be granted following the close of the Compliance period. The purchase price under the right of first refusal is the assumption of debt plus all federal and state income taxes due by the Limited Partner as a result of such sale and any unpaid portion of any credit adjuster payments.

9. GENERAL PARTNER GUARANTEES

In connection with the development and operations of the Project, the General Partner has made certain guarantees, including an obligation to perform the General Partner's Partnership management duties, complete development of the Project, and provide Operating Deficit guaranties as defined in the Partnership Agreement.

10. CASH FLOW PAYMENT PRIORITIES

Payment of fees and other expenses contingent on Cash Flow, as defined by the Partnership Agreement, and distributions to partners from Cash Flow shall be disbursed as follows:

- First, to the Limited Partner to pay unpaid portion of any credit adjuster payments;
- Second, to the Asset Manager to pay any accrued and payable asset management fees;
- Third, to pay any accrued and unpaid principal and interest on loans made by the Limited Partner;

- Fourth, to replenish the operating reserve account up to the Operating Reserve Target Amount of $245,668;
- Fifth, to the Developer to pay any unpaid balance on the deferred development fee;
- Sixth, to repay any accrued and unpaid principal and interest on loans made by the General Partner;
- Seventh, to the General Partner to repay any amounts treated as loans to the Partnership, without interest, by the General Partner for the Development Completion Guaranty or Operating Deficit Guaranty, as defined in the Partnership Agreement;
- Eighth, $20,000 (increasing annually at 3%) to the General Partner to pay the partnership management fee, on a cumulative basis;
- Ninth, to the payment of any then payable Cash Flow Debt Service Payments; and
- Tenth, any remaining amounts distributed to the General Partner and the Limited Partner in accordance with their percentage interests.

11. SUBSEQUENT EVENTS

The Partnership has evaluated subsequent events that have occurred through the date of the independent auditor's report, which is the date that the financial statements were available to be issued, and determined that there were no subsequent events or transactions that required recognition or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

SHERMAN AND BUENA VISTA LP

(A CALIFORNIA LIMITED PARTNERSHIP)
SCHEDULES OF OPERATING EXPENSES

FOR THE YEARS ENDED DECEMBER 31,		2019		2018
Administrative expenses				
Advertising		$ 155		$ -
Manager's salaries		31,821		9,983
Office expense		10,795		5,071
Professional fees - accounting		21,116		23,484
Professional fees - legal		972		160
Property management fees		20,460		7,998
Telephone expense		4,877		1,667
Other administrative expenses				
Administrative support	$ 8,141		$ 134	
Tenant services	10,422		-	
Miscellaneous administrative expenses	825	19,388	298	432
Total administrative expenses		$ 109,584		$ 48,795
Utilities expenses				
Electricity		$ 9,519		$ 2,305
Gas		102		122
Water and sewer		11,396		2,648
Total utilities expenses		$ 21,017		$ 5,075
Operating and maintenance expenses				
Exterminating		$ 470		$ -
Elevator		1,552		-
Janitorial supplies		1,093		287
Landscaping		5,420		-
Maintenance salaries		26,167		9,564
Repairs and maintenance		2,215		1,499
Trash removal		9,100		3,659
Miscellaneous operating and maintenance expenses				
Fire protection expenses	$ 4,511		$ 1,560	
Miscellaneous operating and maintenance expenses	622	5,133	-	1,560
Total operating and maintenance expenses		$ 51,150		$ 16,569
Ground lease expense				
Ground lease expense		$ 34,444		$ 14,249
Total ground lease expense		$ 34,444		$ 14,249
Taxes and insurance expenses				
Employee benefits		$ 10,251		$ 1,870
Payroll taxes		5,027		1,773
Property and liability insurance		13,640		1,142
Real estate taxes		234		-
Workers' compensation		2,113		634
Miscellaneous taxes and insurance expenses				
Miscellaneous taxes	$ 1,600	1,600	$ 2,437	2,437
Total taxes and insurance expenses		$ 32,865		$ 7,856

See independent auditor's report.

SHERMAN AND BUENA VISTA LP
(A CALIFORNIA LIMITED PARTNERSHIP)
SCHEDULE OF CASH FLOW

	2019
Operating revenue	
Total revenues, including interest	$ 562,749
Change in tenant receivables	(727)
Change in prepaid rents	6,635
Total operating revenue	568,657
Less:	
Operating expenses	(249,060)
Mandatory debt service	(180,289)
Replacement reserve deposits	(11,625)
Total project expenses	(440,974)
Cash Flow	$ 127,683
Distribution of Cash Flow	
Asset management fees	$ (7,233)
Deferred development fee	(40,000)
General Partner loan (advances)	(80,450)
Total distribution of Cash Flow	$ (127,683)

See independent auditor's report.

EVERETT AND EAGLE L.P.
(A CALIFORNIA LIMITED PARTNERSHIP)
FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2019 AND 2018

HCVT
HOLTHOUSE | CARLIN | VAN TRIGT LLP

EVERETT AND EAGLE L.P.
(A CALIFORNIA LIMITED PARTNERSHIP)
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HOLTHOUSE | CARLIN | VAN TRIGT LLP

INDEPENDENT AUDITOR'S REPORT

To the Partners of
Everett and Eagle L.P.:

Report on the Financial Statements

We have audited the accompanying financial statements of Everett and Eagle L.P., a California limited partnership (the Partnership), which comprise the balance sheets as of December 31, 2019 and 2018, and the related statements of operations, changes in partners' capital, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Partnership's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Everett and Eagle L.P. as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Report on the Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information in Schedules I and II is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Holthouse Carlin & Van Trigt LLP

Los Angeles, California
March 23, 2020

EVERETT AND EAGLE L.P.

(A CALIFORNIA LIMITED PARTNERSHIP)
BALANCE SHEETS

AS OF DECEMBER 31,	2019	2018
Assets		
Property, at cost		
Leasehold land improvements	$ 653,457	$ 653,457
Offsite improvements	58,032	58,032
Buildings and improvements	13,419,660	13,419,660
Site work	737,313	737,313
Personal property	223,867	223,867
Total property	15,092,329	15,092,329
Less: accumulated depreciation	(426,633)	-
Property, net	14,665,696	15,092,329
Cash and cash equivalents	277,210	9,947
Tenant accounts receivable	754	-
Prepaid expenses and other assets	6,277	-
TCAC refundable deposit	31,632	31,632
Prepaid ground lease	9,800	9,900
Restricted cash:		
Operating reserve	50,023	-
Replacement reserve	4,000	-
Impounds - taxes and insurance	14,690	-
Tenant security deposits	19,000	-
Deferred costs, net	46,179	49,674
Total assets	$ 15,125,261	$ 15,193,482
Liabilities and Partners' Capital		
Notes payable, net of debt issuance costs	$ 8,547,248	$ 11,600,863
Accounts payable and accrued expenses	14,191	-
Accrued interest payable	327,368	198,153
Accrued partnership administration fees	10,000	-
Developer fee payable	342,677	775,000
Construction costs payable	41,464	2,157,885
Due to affiliate	12,326	-
Prepaid rents	3,867	-
Tenant security deposits liability	19,000	-
Total liabilities	9,318,141	14,731,901
Commitments and contingencies (See Notes)		
Partners' capital	5,807,120	461,581
Total liabilities and partners' capital	$ 15,125,261	$ 15,193,482

See accompanying notes to financial statements.

EVERETT AND EAGLE L.P.

(A CALIFORNIA LIMITED PARTNERSHIP)
STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31,	2019	2018
Revenues		
Tenant rents	$ 100,766	$ -
Rental subsidies	375,727	-
Net rental revenues	476,493	-
Other revenue	2,591	-
Total revenues	479,084	-
Operating expenses (Schedule I)		
Administrative	122,482	11,251
Utilities	10,440	-
Operating and maintenance	41,927	-
Ground lease expense	60	-
Taxes and insurance	29,024	1,874
Total operating expenses	203,933	13,125
Operating income (loss) before partnership and financial (income) expenses	275,151	(13,125)
Partnership and financial (income) expenses		
Interest expense	467,723	-
Interest income	(1,193)	-
Investor services fee	5,567	-
Partnership administration fee	10,000	-
Miscellaneous financial expenses	36,792	-
Start-up costs	42,475	31,041
Total partnership and financial (income) expenses	561,364	31,041
Loss before depreciation and amortization	(286,213)	(44,166)
Depreciation	426,633	-
Amortization	3,535	-
Net loss	$ (716,381)	$ (44,166)

See accompanying notes to financial statements.

EVERETT AND EAGLE L.P.

(A CALIFORNIA LIMITED PARTNERSHIP)
STATEMENTS OF CHANGES IN PARTNERS' CAPITAL

	General Partner	Limited Partner	Total
Balance, December 31, 2017	$ 100	$ 505,647	$ 505,747
Net loss	(4)	(44,162)	(44,166)
Balance, December 31, 2018	96	461,485	461,581
Contributions	-	6,061,920	6,061,920
Net loss	(72)	(716,309)	(716,381)
Balance, December 31, 2019	$ 24	$ 5,807,096	$ 5,807,120

See accompanying notes to financial statements.

EVERETT AND EAGLE L.P.

(A CALIFORNIA LIMITED PARTNERSHIP)
STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,	2019	2018
Operating activities		
Net loss	$ (716,381)	$ (44,166)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	426,633	-
Amortization of deferred costs	3,495	-
Amortization of debt issuance costs	39,676	-
Ground lease expense	100	-
Changes in operating assets and liabilities:		
Tenant accounts receivable	(754)	-
Prepaid expenses and other assets	(6,277)	-
Accounts payable and accrued expenses	14,191	-
Accrued interest payable	105,233	-
Accrued partnership administration fees	10,000	-
Due to affiliate	12,326	-
Prepaid rents	3,867	-
Tenant security deposits liability	19,000	-
Net cash used in operating activities	(88,891)	(44,166)
Investing activities		
Expenditures for development and construction costs	(2,524,762)	(9,422,451)
Cash used in investing activities	(2,524,762)	(9,422,451)
Financing activities		
Proceeds from notes payable	3,416,673	7,240,757
Payments on notes payable	(6,472,932)	-
Expenditures for debt issuance costs	(37,032)	-
Contributions from Limited Partner	6,061,920	-
Net cash provided by financing activities	2,968,629	7,240,757
Net change in cash, cash equivalents, and restricted cash	354,976	(2,225,860)
Cash, cash equivalents, and restricted cash at beginning of year	9,947	2,235,807
Cash, cash equivalents, and restricted cash at end of year	$ 364,923	$ 9,947

See accompanying notes to financial statements.

EVERETT AND EAGLE L.P.

(A CALIFORNIA LIMITED PARTNERSHIP)
STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,	2019	2018
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ 298,832	$ -
Supplemental disclosure of noncash investing and financing activities:		
Unpaid construction and development costs	$ -	$ 2,157,885
Unpaid developer fee	$ -	$ 669,000
Unpaid capitalized interest (including capitalized interest of $87,270 added to principal)	$ -	$ 225,196
Amortization of debt issuance costs capitalized to property	$ -	$ 131,072

See accompanying notes to financial statements.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization Everett and Eagle L.P. is a California limited partnership (the Partnership), which was formed on November 22, 2016 and subsequently amended and restated on June 27, 2017. The original partners were as follows: 2437 Eagle Avenue, LLC, a California limited liability company (the General Partner) and the Housing Authority of the City of Alameda, a public body corporate and politic (the Initial Limited Partner). Effective June 27, 2017, the Initial Limited Partner withdrew from the Partnership and Wincopin Circle LLLP, a Maryland limited liability limited partnership, was admitted as the limited partner. Effective July 14, 2017, Wincopin Circle LLLP assigned its limited partner interest to Enterprise Neighborhood Impact Fund II, LLC, a Delaware limited liability company (the Limited Partner).

The Partnership is involved in the acquisition, construction, financing, leasing, and operation of a 20-unit multifamily affordable rental housing project located in Alameda, California (the Project), that was placed-in-service on December 17, 2018.

The Partnership has entered into regulatory agreements with the California Tax Credit Allocation Committee (TCAC), The Housing Authority of the City of Alameda (HACA), and the City of Alameda, which will govern the ownership, occupancy, tenant income and rents, and management of the Project.

The First Amended and Restated Agreement of Limited Partnership (Partnership Agreement) has various provisions which determine, among other things, allocations of profits, losses and distributions to partners, the ability to sell or refinance the Project, loans and guarantees, the rights and duties of the General Partner, and other Partnership matters.

The General Partner and Limited Partner's percentage of interest in profits and losses is generally .01% and 99.99%, respectively.

Basis of Accounting The Partnership's financial statements are presented in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). The accrual method of accounting is used which reflects revenues when earned and expenses as incurred.

Rental Revenue Rental revenue is recognized as rents become due. Rental payments received in advance are deferred until earned. All leases between the Partnership and its tenants are operating leases. Residential rental revenues reflect the gross potential rent that may be earned. Vacancies are shown separately as a reduction in residential rent revenues.

Tenant Accounts Receivable Tenant accounts receivable are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. U.S. GAAP requires that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Property Management Fee The Partnership entered into a property management agreement with an unrelated entity. The property management agreement provides for a monthly fee equal to $55 per unit. Property management fees of $13,200 were incurred for the year ended December 31, 2019. There were no property management fees incurred for the year ended December 31, 2018.

Cash, Cash Equivalents, and Restricted Cash For purposes of the balance sheets and statements of cash flows, cash and cash equivalents consist of cash and highly liquid unrestricted investments with an original maturity of three months or less when purchased. The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the balance sheets that sum to the totals of the same such amounts presented in the statements of cash flows:

As of December 31,	**2019**	**2018**
Cash and cash equivalents	$ 277,210	$ 9,947
Restricted cash:		
Operating reserve	50,023	-
Replacement reserve	4,000	-
Impounds – taxes and insurance	14,690	-
Tenant security deposits	19,000	-
Cash, cash equivalents, and restricted cash	$ 364,923	$ 9,947

Property Property is stated at cost. Depreciation will be provided using the straight-line method over the following estimated useful lives:

Description	**Life**
Leasehold land improvements	99 years
Offsite improvements	20 years
Buildings and improvements	40 years
Site work	20 years
Personal property	5 years

The Partnership capitalizes expenditures or betterments that materially increase asset lives and charges ordinary repairs and maintenance to operations as incurred. When assets are sold or otherwise disposed of, the costs and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is included in operations.

The Partnership reviews its property for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. When evaluating recoverability, management considers future undiscounted cash flows estimated to be generated by the property, including the low-income housing tax credits and any estimated proceeds from the eventual disposition. In the event these accumulated cash flows are less than the carrying amount of the property, the Partnership recognizes an impairment loss equal to the excess of the carrying amount over the estimated fair value of the property. No impairment losses were recognized in 2019 and 2018.

Debt Issuance Costs Debt issuance costs of $297,856 and $260,824, net of accumulated amortization of $171,054 and $131,378 as of December 31, 2019 and 2018, respectively, are reported as a direct reduction of the obligation to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is calculated using a method that approximates the effective interest method.

Concentrations of Business and Credit Risk The Partnership may have exposure to credit risk to the extent that its cash and cash equivalents exceed amounts covered by federal deposit insurance. The Partnership believes that its credit risk is not significant.

The Partnership was granted an exemption from real property taxes with the Alameda County Assessor, which must be renewed annually. In the event the County Assessor does not grant the exemption, the Partnership's cash flow would be adversely impacted.

The Partnership rents to people with qualifying levels of income who work primarily in Alameda, California. The Partnership is subject to business risks associated with the future funding of governmental public assistance, which affects occupancy as well as tenant's ability to make rental payments.

Estimates The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results may differ from those estimates.

Change in Accounting Principle Effective January 1, 2019, the Partnership adopted the provisions of Accounting Standards Update 2016-18, *Statement of Cash Flows – Restricted Cash* (ASU 2016-18). Under ASU 2016-18, restricted cash and restricted cash equivalents is now included with cash and cash equivalents when reconciling the total beginning and ending amounts for the periods shown on the statements of cash flows.

2. RESERVES

Operating Reserve The Partnership Agreement and loan agreements require an initial funding of an operating reserve of $105,080 to be funded upon payment of the Third and Fifth Installments of the Limited Partner's Capital Contribution of $50,000 and $55,080, respectively. During 2019, $50,000 of the operating reserve was funded from the Third Installment of the Limited Partner's capital contribution. Deposits to the operating reserve will be made from Cash Flow in order to maintain a balance of $105,800.

Transition Reserve The Partnership Agreement and loan agreements require an initial funding of a transition reserve of $675,000 from the Limited Partner capital contributions to be funded upon payment of the Fifth, Sixth, and Seventh Installments of the Limited Partner's Capital Contribution of $150,000, $216,000, and $309,000, respectively, none of which has occurred as of December 31, 2019.

Replacement Reserve The Partnership Agreement and loan agreements require an annual replacement reserve of $600 per unit ($12,000 annually), with funding commencing in August 2019.

Impounds – Taxes and Insurance The Partnership is required to make monthly impound deposits to cover insurance premiums and property taxes.

The following describes the activity in the reserve accounts during 2019:

	Balance 1/1/19	Deposits	Withdrawals/ Fees	Interest Earned	Balance 12/31/19
Operating reserve	$ -	$ 50,000	$ -	$ 23	$ 50,023
Replacement reserve	-	4,000	-	-	4,000
Impounds – taxes and insurance	-	14,690	-	-	14,690
Total	$ -	$ 68,690	$ -	$ 23	$ 68,713

3. GROUND LEASE AGREEMENT – HACA

On June 1, 2017, the Partnership entered into a Ground Lease Agreement (the Agreement) to lease land owned by HACA. The Agreement, which expires June 1, 2116, provides for a prepaid ground lease payment of $9,900. The prepaid ground lease payment is reflected as prepaid ground lease in the accompanying balance sheets and is amortized over the life of the Agreement commencing in January 2019. During 2019, the Partnership incurred ground lease expense of $60. During 2018, there was no ground lease expense.

4. DEFERRED COSTS

Deferred costs consist of deferred ground lease costs and TCAC fees. Deferred ground lease costs are amortized over the life of the ground lease (99 years), commencing in January 2019. TCAC fees are amortized over 15 years, commencing in January 2019. Deferred costs are as follows:

As of December 31,	2019	2018
TCAC fees	$ 43,741	$ 43,741
Deferred ground lease costs	5,933	5,933
Less: accumulated amortization	(3,495)	-
Total deferred costs, net	$ 46,179	$ 49,674

5. NOTES PAYABLE

As of December 31,	2019	2018
Note payable to JPMorgan Chase Bank, N.A. (Chase Loan), a national banking association, provides construction financing in the maximum amount of $9,859,528. The note is secured by a Construction and Permanent Leasehold Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing. The note provides for interest only payments based on adjusted one-month LIBOR plus 1.85% per annum through the Conversion Date. The interest rate was 4.35% at December 31, 2018. In July 2019, the construction loan was partially paid off with the Limited Partner's capital contributions, with the remaining balance converted into a permanent loan of $3,330,168. The permanent loan bears interest at 5.55% and requires monthly payments of principal and interest of $17,993. The note will mature on September 21, 2039.	$ 3,320,768	$ 7,328,027
Note payable to the City of Alameda (HOME Loan), secured by a subordinated Leasehold Deed of Trust, Assignment of Rents, and Security Agreement and Fixture Filing, borrowings up to $153,282, simple interest at 3.00% per annum, payable from Residual Receipts; unpaid principal and interest are due on December 31, 2074.	153,282	152,282

As of December 31,	**2019**	**2018**
Note payable to HACA (HACA Loan), in the original amount of $4,250,000, secured by a Leasehold Deed of Trust, Assignment of Rents, and Security Agreement and Fixture Filing, interest at 2.68%, compounded annually; principal and interest payable annually from Residual Receipts; unpaid principal and interest is due December 31, 2074.	4,250,000	4,250,000
Note payable to County of Alameda (County Loan), in the maximum amount of $1,000,000, secured by a subordinated Leasehold Deed of Trust, Assignment of Rents, and Security Agreement and Fixture Filing, simple interest at 3.00%, payable from Residual Receipts and unpaid principal and interest are due on December 31, 2074.	950,000	-
Total notes payable	8,674,050	11,730,309
Less: unamortized debt issuance costs	(126,802)	(129,446)
Total notes payable, net	$ 8,547,248	$ 11,600,863

At December 31, 2019, anticipated principal repayments of notes payable are as follows:

For the Year Ending December 31,	**Amount**
2020	$ 29,286
2021	31,511
2022	33,330
2023	35,255
2024	36,778
Thereafter	8,507,890
Total	$ 8,674,050

The HOME Loan, HACA Loan, and County Loan are payable based on available Residual Receipts, as defined in the respective loan agreements. The percentage of Residual Receipts shall be paid as follows: 2.84% to the HOME Loan, 78.65% to the HACA Loan, and 18.51% to the County Loan.

An analysis of accrued interest for 2019 and 2018 is as follows:

	Accrued Interest 1/1/19	**Interest Expense**	**Interest Paid**	**Accrued Interest 12/31/19**
Chase Loan	$ 23,982	$ 290,720	$ (298,832)	$ 15,870
HOME Loan	2,227	2,510	-	4,737
HACA Loan	171,944	117,479	-	289,423
County Loan	-	17,338	-	17,338
	$198,153	428,047	$ (298,832)	$327,368
Amortization of debt issuance costs		39,676		
Total interest expense		$ 467,723		

	Accrued Interest 1/1/18	Capitalized Interest	Interest Added to Principal	Interest Paid	Accrued Interest 12/31/18
Chase Loan	$ -	$ 111,252	$ (87,270)	$ -	$ 23,982
HOME Loan	-	2,227	-	-	2,227
HACA Loan	60,227	111,717	-	-	171,944
Total	$ 60,227	$ 225,196	$ (87,270)	$ -	$ 198,153

6. RELATED PARTY TRANSACTIONS

Developer Fee The Partnership has entered into a joint developer fee agreement with HACA and an affiliate of the General Partner (collectively, the Developer) to receive a fee of $875,000 for its development services. The unpaid developer fee is expected to be paid from future Limited Partner capital contributions and Cash Flow. The developer fee shall be paid in full on or before December 31, 2032. As of December 31, 2019 and 2018, $342,677 and $775,000 remains unpaid, respectively.

Investor Services Fee In accordance with Partnership Agreement, the Limited Partner, is to receive an annual investor services fee of $5,000 for the promotion of efficient communications and favorable relationships between the Partnership and Limited Partner, commencing the later of 2018 or the first calendar year the Partnership receives rental income. The fee shall increase by 3% per year and will be payable from Cash Flow. No investor services fee was incurred in 2018. An investor services fee of $5,567 was incurred and paid in 2019.

Partnership Administration Fee In accordance with the Partnership Agreement, the General Partner is to receive an annual partnership administration fee of $10,000 for supervisory services to cause the Project to operate efficiently, among other things, commencing the later of 2018 or the first calendar year the Partnership receives rental income. The fee shall increase by 3% per year and will be payable from Cash Flow. No partnership administration fee was incurred in 2018. A partnership administration fee of $10,000 was incurred in 2019; all of which remains unpaid as of December 31, 2019.

Rental Subsidies The Project has entered into a Housing Assistance Payment (HAP) contract with HACA. The current term of the HAP contract is for the period commencing December 2018 and shall run for a period of twenty years. The contract is subject to renewal as it expires. In accordance with the HAP contract, the amount of each tenant's subsidy varies depending on the income of each tenant. No rental subsidies were earned under the HAP contract for the year ended December 31, 2018. The aggregate amount earned under the HAP contract was $375,727 for the year ended December 31, 2019.

Due to Affiliate As of December 31, 2019, $12,326 was due to the General Partner for expenses paid by the General Partner on behalf of the Partnership in connection with the permanent loan conversion.

In addition, included in construction costs payable as of December 31, 2019 and 2018 are $39,781 and $41,689, respectively, of construction and development costs paid by the General Partner on behalf of the Partnership.

7. CAPITAL CONTRIBUTIONS

Pursuant to the Partnership Agreement, the General Partner will make capital contributions of $100. Subject to certain adjustments as defined in the Partnership Agreement, the Limited Partner anticipates making capital contributions of $7,496,000. Through December 31, 2019, the Partnership has received $6,714,920 in Limited Partner capital contributions and anticipates receiving the balance through 2031.

8. INCOME TAXES AND LOW-INCOME HOUSING TAX CREDITS

The Partnership is a pass-through entity for income tax purposes and all items of income and losses of the Partnership are reported by the partners on their respective income tax returns. The Partnership's federal tax status as a pass-through entity is based on its legal status as a partnership. The Partnership is required to file tax returns with the Internal Revenue Service and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the Partnership has no other tax positions which must be considered for disclosure. The Partnership is subject to income tax examinations by tax authorities prior to 2015. There are no tax examinations currently pending.

The Partnership has received an allocation of federal low-income housing tax credits from TCAC, which are available only to the extent the Partnership complies with the Internal Revenue Service's tax credit regulations. The General Partner is responsible to ensure that the Partnership satisfies such requirements and has made certain guarantees to the Limited Partner, which are defined in the Partnership Agreement.

9. PURCHASE OPTION AND RIGHT OF FIRST REFUSAL

The Partnership has granted its General Partner a buyout option and right of first refusal to purchase the Project or the Limited Partner's interest. The buyout option shall become available following the end of the Compliance Period and only if the General Partner has satisfied all obligations under the Partnership Agreement. The purchase price under this option is the greater of the fair market value of the Limited Partner's interest or the Project as of the date of the Buyout Notice or $1 plus all federal, state, and local taxes attributable to such sale, plus all unpaid amounts due to the Limited Partner pursuant to the terms of the Partnership Agreement. The right of first refusal shall be granted to the General Partner for a period of 90 days before the Partnership can transfer, sell, alienate, assign, give, bequeath, or otherwise dispose of the Project. The purchase price under the right of first refusal is equal to the sum of the principal amount of all outstanding indebtedness secured by the Project, all other loans from the General Partner or its Affiliates, and any accrued interest on any of such debt; all federal, state, and local taxes attributable to such sale; and all unpaid amounts to the Limited Partner pursuant to the terms of the Partnership Agreement.

10. GENERAL PARTNER GUARANTEES

In connection with the development and operations of the Project, the General Partner and an affiliate have made certain guarantees, including an obligation to perform the General Partner's Partnership management duties, complete development of the Project, and provide Operating Deficit Loans, as defined in the Partnership Agreement.

11. CASH FLOW PAYMENT PRIORITIES

Payment of fees and other expenses contingent on Cash Flow, as defined by the Partnership Agreement, and distributions to partners from Cash Flow shall be disbursed as follows:

- First, to the Limited Partner, an amount equal to the Credit Deficiency;
- Second, to the Limited Partner, an amount sufficient to pay federal income taxes on taxable income allocated to the Limited Partner for such Fiscal Year by the Partnership, assuming the Limited Partner is subject to the maximum corporate federal income tax rate then in effect;
- Third, to pay the investor services fee;
- Fourth, from and after the Fifth Installment of the Limited Partner's capital contribution, to fund the operating reserve up to the operating reserve amount;
- Fifth, to the Developer to pay any unpaid balance on the deferred developer fee;
- Sixth, to the General Partner to repay any Operating Deficit Loan;
- Seventh, to pay the partnership administration fee;
- Eighth, to make payments on the HOME Loan, HACA Loan, and County Loan to the extent then due thereon; and
- Then, to the Partners in accordance with their Percentage Interests.

12. SUBSEQUENT EVENTS

The Partnership has evaluated subsequent events that have occurred through the date of the independent auditor's report, which is the date that the financial statements were available to be issued, and determined that there were no subsequent events or transactions that required recognition or disclosure in the financial statements, except as disclosed below.

Effects of the Coronavirus Outbreak As a result of the recent coronavirus outbreak in early 2020 (COVID-19), the economic environment in which the Project operates has been significantly disrupted, including impacting the ability of the onsite staff and the Project's tenants to perform their normal day-to-day duties and activities. The Partnership's management is in the process of gathering information, developing the appropriate responses to these events and the possible impact to the Project's cash flow. The Partnership's management is currently unable to determine if COVID-19 will have a material impact on its operations.

EVERETT AND EAGLE L.P.

(A CALIFORNIA LIMITED PARTNERSHIP)
SCHEDULES OF OPERATING EXPENSES

FOR THE YEARS ENDED DECEMBER 31,	2019	2018
Administrative expenses		
Advertising	$ 3,270	$ -
Manager's salaries	21,191	-
Office supplies	1,749	194
Professional fees - accounting	37,431	11,057
Professional fees - legal	7,079	-
Property management fees	13,200	-
Telephone expense	3,577	-
Tenant services	33,077	-
Other administrative	1,908	-
Total administrative expenses	$ 122,482	$ 11,251
Utilities expenses		
Electricity	$ 6,640	$ -
Water and sewer	3,800	-
Total utilities expenses	$ 10,440	$ -
Operating and maintenance expenses		
Decorating and painting	$ 168	$ -
Janitorial supplies	703	-
Maintenance salaries	16,663	-
Repairs and maintenance contracts	17,983	-
Trash removal	6,083	-
Miscellaneous operating and maintenance expenses		
Fire protection expenses	327	-
Total operating and maintenance expenses	$ 41,927	$ -
Ground lease expense		
Ground lease expense	$ 60	$ -
Total ground lease expense	$ 60	$ -
Taxes and insurance expenses		
Employee benefits	$ 6,675	$ -
Payroll taxes	3,341	-
Property and liability insurance	14,827	1,874
Real estate taxes	125	-
Worker's compensation	2,456	-
Miscellaneous taxes and insurance expenses		
Miscellaneous taxes	1,600	-
Total taxes and insurance expenses	$ 29,024	$ 1,874

See independent auditor's report.

EVERETT AND EAGLE L.P.

(A CALIFORNIA LIMITED PARTNERSHIP)
SCHEDULE OF CASH FLOW

FOR THE YEAR ENDED DECEMBER 31,	2019
Operating revenue	
Total revenues, including interest	$ 480,277
Change in tenant accounts receivable	(754)
Change in prepaid rents	3,867
Total operating revenue	483,390
Less:	
Operating expenses	(203,933)
Debt service	(84,294)
Change in restricted funds	(18,690)
Total project expenses	(306,917)
Cash Flow	$ 176,473
Distribution of Cash Flow	
Developer fee	$ (176,473)
Total distribution of Cash Flow	$ (176,473)

See independent auditor's report.

To: Board of Directors
Island City Development

From: Danielle Thoe
Management Analyst

Date: April 16, 2020

Re: Adopt a Resolution Authorizing Submission of Funding Applications for the North Housing Project

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BACKGROUND

The North Housing Project is a redevelopment of 12 acres of the former Coast Guard Housing at the former Naval Air Station Alameda (NAS Alameda). The Housing Authority (AHA) and partners, Building Futures and Alameda Point Collaborative first submitted a Notice of Interest (NOI) for the property in March 2008, known as the homeless accommodation parcel, and therefore the property was conveyed to AHA on May 30, 2019. Staff are undertaking predevelopment work for the redevelopment of the site as affordable housing through Island City Development. ICD's role is to carry out real estate development activities on behalf of the Housing Authority.

Detailed reports about project milestones are outlined in AHA Board of Commissioner's monthly agendas beginning in September 2017. Additional project information can be found at www.northhousing.org.

DISCUSSION

Staff continue to move forward with various elements of the North Housing project, the scope of which includes: demolition of existing military housing structure, construction of internal infrastructure including streets, and development of up to 580 units of mixed-income affordable housing.

The multiple phases of this project will use a number of funding sources over the life of the project. Potential sources include, but are not limited to, Low-Income Housing Tax Credits, Alameda County Homelessness funds, federal HOME and CDBG funds, AUSD Pass Through Funds, No Place Like Home, Federal Home Loan Bank Affordable Housing Program funds, State of California Housing and Community Development Department Infill Infrastructure Grant, and EPA Brownfields Grant. In anticipation of multiple funding applications, staff have prepared an Authorizing Resolution for these potential funding applications rather than having to return to the Board for individual authorizations.

Staff previously brought a similar resolution before the Board at its March 23, 2020 meeting. At that time the Board requested that after applying for funding and prior to signing an agreement with a funder that staff return to the Board for approval of the funding agreement. Staff worked with legal counsel to update the attached resolution to include this step.

FINANCIAL IMPACT

Successful funding applications will support the reduction of AHA funds used, via ICD, during the North Housing project.

RECOMMENDATION

Adopt a Resolution Authorizing Submission of Funding Applications for the North Housing Project

Respectfully submitted,

Danielle Thoe
Management Analyst

Attachment: Authorizing Resolution

ISLAND CITY DEVELOPMENT

Resolution No. 2020-__

North Housing Funding Applications

At a duly constituted meeting of the Board of Directors (the "Board") of Island City Development, a California nonprofit public benefit corporation ("ICD"), held on March 18, 2020 (the "Meeting"), the following resolutions were adopted:

WHEREAS, the Corporation was formed as a public benefit corporation established to operate exclusively to support the Housing Authority of the City of Alameda ("AHA");

WHEREAS, the Housing Authority owns real property at the 501 Mosley Avenue commonly known as North Housing (the "Property") for which the Corporation provides real estate development services to redevelop the Property; and

WHEREAS, the Corporation is authorized to do business in the State of California and is empowered to enter into an obligation to receive local, regional, state, and federal funds for the acquisition, construction, rehabilitation, or preservation of affordable multifamily rental housing, including but not limited to Low-Income Housing Tax Credits, Alameda County funds, HOME and CDBG funds, AUSD Pass Through Funds, No Place Like Home, State HCD Program funds, Tax-Exempt Bonds, and Federal Home Loan Bank Affordable Housing Program funds, (collectively the "Funding").

NOW, THEREFORE, BE IT RESOLVED, That the Board authorizes staff to submit applications for Funding for the redevelopment of North Housing.

BE IT FURTHER RESOLVED, If the application is approved, staff shall return to the Board of Directors to seek formal approval to negotiate and execute related loan and regulatory documents related to the funding award; and~~the Board is hereby authorized to incur an obligation for the Funding and to enter into, execute, and deliver, a loan agreement, and any and all other related documents including but not limited to, a promissory note, a deed of trust and security agreement, a regulatory agreement, a development agreement and certain other documents that may be required by the lender as security for, evidence of or pertaining to the loan, and all amendments thereto (collectively, the "Loan Documents").~~

BE IT FURTHER RESOLVED: the Board hereby authorizes Vanessa Cooper, President,~~,~~ or her written designee are each separate, individually, and independently hereby authorized to execute: an application for the Funding, and any amendment or modifications to such application for Funding~~Brad Weinberg, Vice President, and Janet Basta, Secretary/Treasurer (each, an "Officer"), or their designee, are acting alone on behalf of ICD are hereby authorized to execute applications for the Funding, the Loan Documents, and any amendment or modifications thereto.~~

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ATTEST:

Vanessa M. Cooper President	Janet Basta Secretary

Adopted:

Date